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PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

Lump-sum option for travel by air in lieu of provision by the Organization of travel tickets and related entitlements on home leave, education grant and family visit

Report of the Secretary-General

I. INTRODUCTION

1. In its resolution 49/216, the General Assembly requested the Secretary-General to continue to monitor closely the costs and benefits to the Organization of the lump-sum arrangements, including an analysis of the level of cash incentive provided to staff by the current 75 per cent procedure, and to make any necessary adjustments to ensure that the arrangements do not provide scope for abuse.

2. By the same resolution, the General Assembly endorsed the recommendations regarding the lump-sum arrangements contained in the report of the United Nations Board of Auditors to the General Assembly on the accounts of the United Nations for the biennium ended 31 December 1993. 1/ The Board raised a number of issues concerning the approach to, and technical aspects of, the lump-sum option; inter alia, it recommended that a review of the scheme should be undertaken and its continuation, with or without modifications, decided after considering all aspects.

3. In its report 2/ on standards of accommodation for air travel, the Advisory Committee on Administrative and Budgetary Questions (ACABQ) noted that the lump-sum option for home leave, family visit and education grant travel had been extended up to 31 December 1995. The Advisory Committee expressed its intention to follow up closely on the lump-sum option based on the information to be provided by the Secretary-General.

4. The present report is submitted in response to the above requests of the General Assembly and ACABQ. It reviews the rationale for the introduction of the lump-sum option and its conceptual and operational aspects, analyses the experience gained and presents conclusions and recommendations concerning the future of the lump-sum option. The recommendations also take into account the legal aspects of the option.

II. BACKGROUND TO THE LUMP-SUM OPTION

A. Rationale for the introduction of the option

5. The basic regime regulating the travel of eligible staff members and dependants for home leave, family visit and education grant is contained in staff regulations 7.1 and 7.2 promulgated by the General Assembly, which provide as follows:

> "Regulation 7.1: Subject to conditions and definitions prescribed by the Secretary-General, the United Nations shall in appropriate cases pay for the travel expenses of staff members, their spouses and dependent children.
>
> "Regulation 7.2: Subject to conditions and definitions prescribed by the Secretary-General, the United Nations shall pay removal cost for staff members."

6. In accordance with the Staff Rules of the United Nations, staff members and their eligible dependants travelling in connection with home leave are entitled to compensation for air-fare expenses, terminal expenses, applicable subsistence allowance for allowed stopovers, excess baggage allowance and up to 50 kilogrammes of unaccompanied shipment per eligible traveller, including pick-up and delivery on a round-trip basis.

7. The administrative and financial arrangements to support such travel are extensive; they involve allocation of funds, calculation of specific entitlements, processing of requests for travel, approval of funds, booking and delivery of tickets and arrangements for pick-up and delivery of the unaccompanied shipment. Upon completion of the travel, claims filed for the trip of the staff member, including stopover entitlements, daily subsistence allowance and terminal expenses, have to be verified and bills received from the travel agency and freight forwarding company have to be reconciled with the travel authorization and travel claims filed by the staff member. It was in the context of achieving financial savings and simplifying the cumbersome process that the lump-sum option was introduced.

8. In 1987, a working group consisting of representatives from various offices of the United Nations Secretariat studied the various aspects of the lump-sum option. The group's findings indicated that the introduction of the lump-sum option on a staggered experimental basis would result in direct financial savings, as well as in reduced administrative costs to the Organization. Under this option, payment in respect of the reimbursable costs of statutory travel would be made in an amount corresponding to 75 per cent of the full economy fare. A similar practice that had already been introduced in the International

Atomic Energy Agency (IAEA) and the United Nations Industrial Development Organization (UNIDO) had demonstrated its merit.

9. In 1988, a working party of the Consultative Committee on Administrative Questions (CCAQ) endorsed, in principle, the findings of the United Nations working group. 3/ No consensus was reached, however, with regard to the basis for calculating the lump-sum amount, although it was agreed that such a basis needed to be sufficiently attractive to the staff. Two options were studied:

(a) Payment of a percentage (which might be 80 per cent) of the cost of applicable excursion fares, where such fares were published; and

(b) Payment of a percentage (in the range of 60 to 75 per cent) of the cost of applicable normal economy fares, which were published for all destinations.

The working party was unable to provide a rationale for selecting one of the above options.

10. In view of the experimental nature of the option and insufficient data on such options above, most common system organizations continued to apply a lump-sum rate ranging from 75 to 80 per cent for various types of travel under the lump-sum scheme, depending on the specific conditions prevailing in each organization (see annex). The organizations agreed that, since the lump-sum arrangement would be optional, there was no need for the Staff Rules to be amended.

B. Introduction and extension of the lump-sum option

11. After evaluating the findings of the working groups of the United Nations and CCAQ, the Secretary-General decided that a lump-sum option by which 75 per cent of the full unrestricted economy-class fare was payable would provide an optimal balance between the interests of the Organization and the staff, and result in significant savings to the Organization. At the same time, it would be sufficiently attractive to staff to forego their other entitlements related to travel on home leave, family visit and education grant.

12. The lump-sum option for travel in lieu of the provision by the Organization of tickets and the related entitlements on home leave, education grant and family visit was introduced, on an experimental basis, for staff stationed at United Nations Headquarters, from March 1990 to December 1991. 4/

13. Data gathered for Headquarters during the initial phase of the implementation of the lump-sum option were not sufficient for determining the long-term viability of the option or its benefit to the Organization, since the data for the first nine months of the period were incomplete. In view of this situation, the Secretary-General decided to continue the option, again on an experimental basis, up to 31 December 1992. 5/

14. By 1993, the general trends and implications of the lump-sum option became discernible for Headquarters and demonstrated considerable savings to the

Organization. In view of the widely differing travel conditions at other duty stations and in order to gain broader experience, however, the option was extended, again on an experimental basis, to offices and established missions away from Headquarters, up to June 1993.

15. In reviewing the issue in 1993, it was noted that data on the lump-sum option and experience in its implementation at offices and established missions away from Headquarters had been collected for less than one year and did not cover a full cycle of home-leave requests by all staff members so entitled. Bearing these limitations in mind, it was deemed impractical to make a final determination; instead an interim extension, on an experimental basis, was adopted up to December 1994.

16. In accordance with General Assembly resolution 49/216, the lump-sum option was once again extended up to 31 December 1995 (see also para. 54 below). In the light of that resolution and as recommended by an internal panel of representatives of relevant departments and offices on the lump-sum option, a new format for collecting uniform data on the lump-sum option was introduced.

C. Observations of the Board of Auditors

17. The United Nations Board of Auditors, in its report, §/ requested that uniform guidelines and procedures be developed to monitor the lump-sum option by administrative and executive offices and that a review of operational and financial benefits of the scheme be conducted.

18. In their subsequent observations regarding the lump-sum option, the External Auditors requested the Secretary-General: (a) to analyse the 75 per cent lump-sum rate; (b) to establish controls to prevent staff members from receiving the lump-sum but not actually travelling; and (c) to monitor the use for home-leave travel of frequent flyer free mileage accrued from other official travel.

19. The findings of the Board of Auditors with regard to the lump-sum option point to very few cases of non-adherence to the established procedure regulating lump-sum option, compared to the scale of usage. Nevertheless, the Secretary-General shares the concerns expressed by the External Auditors and has taken further steps to ensure continued compliance both by staff and executive/administrative offices with the established procedures. Capabilities for ensuring compliance will be strengthened with the implementation of the Integrated Management Information Systems (IMIS) release supporting travel arrangements.

III. CONCEPTUAL FRAMEWORK AND IMPLEMENTATION OF THE LUMP-SUM SCHEME

A. Major features of the lump-sum option

20. In spite of variations in the implementation of the lump-sum scheme by organizations of the United Nations common system, the conceptual framework and implementing modalities were established through a joint effort.

21. The lump-sum option was introduced to meet the same challenges that brought about the current emphasis on greater effectiveness through improved management. The lump-sum option served goals of both improving efficiency in the Secretariat and reducing costs related to official travel financed by the Organization.

22. The introduction of the lump-sum option is a step in the direction of rationalization of work flows, simplification of procedures by paying standard amounts and expediting processing of travel requests. It is a package of interrelated entitlements paid in a fixed amount in lieu of provision by the Organization of air tickets and related entitlements. It is also one of the most frequently used means in both the private and the public sectors to achieve administrative savings or to cope with increased workload. The 75 per cent lump-sum rate provides for savings to the Organization by eliminating part of the airfare as well as payment of daily subsistence allowance, terminal expenses, excess baggage and unaccompanied shipment. The lump-sum rate balances a level of costs and benefits to the Organization on the one hand, and a level of incentive perceived by the staff as an attractive option to forego other travel-related entitlements, on the other.

23. In devising the modalities for the lump-sum scheme, consideration was given to the possibility for staff to avail themselves of regular travel arrangements. The optional character of the lump-sum option provides the necessary flexibility for those staff members who do not wish to opt for the lump-sum option for various reasons, including conditions prevailing in the local travel market.

B. Financial and administrative mechanism

24. The lump-sum option is applicable to staff members travelling on home leave, family visit and education grant. The lump-sum amount of 75 per cent of the cost of the full economy-class fare by the least costly scheduled air carrier between the staff member's duty station and the closest airport to the approved destination is paid in lieu of all applicable entitlements and expenses relating to the specific travel, including local surface transportation, subsistence allowance for rest stopovers, terminal expenses, accompanied baggage and unaccompanied shipment, as well as provision of travel documents and visas.

25. Staff members who decide to exercise the option are responsible for their own travel arrangements. By selecting the option, staff members agree to waive all other established entitlements which would be payable under the regular arrangement. In order to exercise the option, staff members are required to notify their executive/administrative offices two months prior to the anticipated travel of their planned itinerary and their interest in availing

themselves of the lump-sum option. Calculations of the lump-sum entitlement are centralized in the Travel Unit of the Office of Conference and Support Services/Department of Administration and Management. Upon receipt of the information regarding the lump-sum amount, the staff member concerned has 10 days to notify the executive/administrative office of his or her agreement to accept the lump-sum amount.

26. The Executive Office prepares a travel authorization and the necessary financial documents requesting the Accounts Division, Office of Programme Planning, Budget and Accounts, to take appropriate actions.

27. Within 10 working days of the completion of the travel, the staff member must complete the certification of the travel and provide satisfactory documentary evidence that the travel took place as certified; used airline tickets and boarding passes, as well as a laissez-passer or national passport bearing customs and immigration markings have to be produced. Failure to provide specific documentary evidence of arrival and departure dates results automatically in the amount of the lump-sum payment being recovered from the staff member's salary.

IV. FINDINGS OF THE LUMP-SUM REVIEW

A. Utilization of the lump-sum option

28. It is estimated that, during 1995, home leave and related travel, including the component for unaccompanied shipment, constituted about 15 per cent of overall travel expenditures of the Secretariat at Headquarters.

29. Available data on the implementation of the lump-sum option over the past nearly six years indicated direct financial savings to the Organization of over $6.7 million.

30. During first 10 months of 1995, for which comprehensive data is available for all duty stations except the Economic Commission for Africa (ECA), out of a total of 1,562 travel cases related to home leave, family visits and education grant travel, an average of 78 per cent of such travel was under the lump-sum option. The option was most popular in the United Nations Office in Geneva, where 92 per cent of the home leave and related travel was undertaken under this arrangement. At Headquarters, it was 86 per cent and in the United Nations Office in Vienna, it was 74 per cent.

31. During the same period, the Economic and Social Commission for Asia and the Pacific (ESCAP), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Western Asia (ESCWA) and the United Nations Centre for Human Settlements (HABITAT) reported a utilization rate of the lump-sum option for all types of home leave and related travel of 56 per cent, 46 per cent, 45 per cent and 23 per cent respectively.

32. The utilization of the lump-sum option for the established field missions during the same period varied depending on the missions, as follows: United Nations Disengagement Observer Force (UNDOF), 25 per cent; United Nations Peace-

keeping Force in Cyprus (UNFICYP), 62 per cent; United Nations Truce Supervision Organization (UNTSO), 79 per cent; and United Nations Interim Force in Lebanon (UNIFIL), 68 per cent.

33. Although the use of the lump-sum option depends on the availability of competitive airfares in each duty station and needs of staff members for shipment of unaccompanied baggage to and from their duty station, a 78 per cent overall utilization of the lump-sum option points to a large degree of consensus among staff that the current lump-sum rate is attractive.

B. Administrative savings achieved in connection with lump-sum option

34. The estimation of administrative savings in precise work-time or financial terms does not lend itself easily to quantification. Nevertheless, the majority of the administrative offices concerned with the processing of home leave and related travel have reported decreased workload as a result of simplified and streamlined procedures of processing the lump-sum travel. The staff resources so released were redirected to offset the need for other administrative support associated with the considerable increase in peace-keeping and humanitarian operations.

35. An overall estimate is that processing of a lump-sum travel case takes about 15 per cent less time compared to processing a regular travel case. These savings resulted from the elimination of the need to reconcile travel authorization and travel claims and to process payments to vendors for air tickets and shipment of unaccompanied baggage.

C. Actual cash savings

36. From mid-1990 to the end of 1995, the implementation of the lump-sum option for home leave, family visit and education grant resulted in estimated savings of over $6.7 million, excluding unaccompanied shipment. For the first 10 months of 1995, the total cash savings from the lump-sum utilization was US$ 1,125,030 (excluding unaccompanied shipment).

37. It should be noted that the data collected by the Secretariat indicate that the utilization of unaccompanied shipment entitlements under the regular travel arrangements, which varied substantially from one duty station to another, was as follows: Headquarters, 9 per cent; United Nations Office at Geneva, 3 per cent; United Nations Office at Vienna, 12 per cent; ESCAP, 23 per cent; ESCWA, 98 per cent; ECLAC, 36 per cent; and Habitat, 27 per cent. At established missions the rate of utilization of unaccompanied shipment entitlement was as follows: UNDOF, 100 per cent; UNFICYP, 100 per cent; UNTSO, 97 per cent; and UNIFIL, 93 per cent.

38. The data collected by the Secretariat for the first 10 months of 1995 indicate that the financial savings resulting from the utilization of the lump-sum option by the 78 per cent of the staff who used their entitlements during the period were as follows:

Duty station	Cost if lump-sum was not chosen (US$)	Actual lump-sums paid (US$)	Cash savings (US$)	No. of travellers
Headquarters	3 548 343	2 807 770	740 275	1 554
United Nations Office at Geneva	1 632 624	1 507 596	125 028	770
United Nations Office at Vienna	223 968	206 909	17 059	123
ECLAC	77 205	64 775	12 430	38
ESCAP	224 059	169 783	54 276	116
ESCWA	117 748	100 936	16 812	73
Established missions	737 332	612 465	124 867	320
Total	6 636 971	5 511 941	1 125 030	3 025

39. The remaining 22 per cent of the staff who used their entitlements during the period travelled under the regular arrangement, at a total cost to the Organization of $1,389,009. The overall cost of their travel would have been $159,700 less, had they chosen the lump-sum option.

D. Analysis of the 75 per cent lump-sum rate

40. From the inception of the lump-sum option, the rate of the lump-sum option was set at a uniform 75 per cent of the cost of the applicable full economy-class fare by the least costly air carrier.

41. To date there is no complete and consistent picture of the margin between lump-sum payments and actual air fares paid in the different regions of the world. A number of factors, including airline competition, highly discounted and restricted airfares offered directly by the carriers or through travel agencies and general consolidators, seasonal fluctuations, multitude of travel destinations and other factors, make it difficult to establish a precisely calculated ratio between the cost of the ticket purchased by the staff member and the amount of the lump-sum payment.

42. When assessing the need for adjustments in the 75 per cent lump-sum rate, the following consideration should be borne in mind: in order for the lump-sum scheme to satisfy its basic requirement of being sufficiently attractive to the staff, it is necessary to maintain the lump-sum rate at a sufficiently high level in order for staff to forgo their other travel entitlements. Any reduction in the rate of the lump-sum would result in reduced number of staff opting for the lump-sum and, consequently, would diminish the aggregate savings to the Organization.

43. The Secretary-General is of the view that monitoring of the current rate of the lump-sum option should be continued. If the General Assembly concludes that the lump-sum option is viable but that the current level of the lump-sum rate should be studied, it may wish to refer the matter to the International Civil Service Commission (ICSC) for consideration and recommendation, particularly in view of the central role of the margin of incentive in the functioning of the lump-sum option. The Secretary-General is prepared to lend full support to such an endeavour.

V. FUTURE IMPROVEMENTS OF THE LUMP-SUM SCHEME

44. It is anticipated that, with the introduction of IMIS, the existing mechanism to process and monitor travel under the lump-sum option will be further streamlined. However, until such a facility becomes operational for processing travel, the existing procedure will need to continue to remain in effect.

45. Subject to the decision of the General Assembly on the lump-sum option, it is intended that an administrative instruction identifying roles and responsibilities of all administrative and financial units, as well as obligations of individual staff members will be issued. This measure is expected to reinforce the existing control mechanism and ensure proper compliance.

VI. LEGAL ASPECTS

46. The Secretary-General is of the view that in applying the Staff Regulations and by virtue of his responsibility to ensure that the resources of the Organization are efficiently used, he has discretionary authority to authorize, on an experimental basis, other modalities in an effort to rationalize expenditures and save the resources made available by Member States to the Organization.

47. To give effect to the provisions of staff regulation 7.1, staff rule 107.12 (a) provides that unless the staff member concerned is specifically authorized to make other arrangements, all tickets for transportation involving official travel of staff members and eligible family members shall be purchased by the United Nations in advance of the actual travel, or where circumstances so require, shall be secured by the staff member. The staff rule does not stipulate the circumstances in which the discretionary authority of the Secretary-General may be exercised. As regards the authorization to "make other arrangements", the staff rule makes it contingent on a case-by-case basis, but does not specify any particular mechanism for the exercise of this authorization. Under such an arrangement, the Secretary-General would retain his authority to authorize individual staff members to purchase air tickets, while remaining within the legal scope of the staff regulations.

48. The Secretary-General is of the view that the introduction of the lump-sum arrangements, in addition to the travel arrangements outside the option, has been a valid exercise of his administrative discretion. Without prejudice to

the decision to be taken by the General Assembly on the future of the lump-sum option, the Secretary-General considers that, with the completion of the current review, the experimental phase of the lump-sum has come to an end.

49. Should the General Assembly deem it appropriate for the Secretary-General to continue with the lump-sum option, it would be his intention to request the General Assembly to modify staff regulations 7.1 and 7.2, so as to include appropriate and sufficient legal provisions for the lump-sum option on a permanent basis. A consequential change to the Staff Rules regulating travel arrangements would be necessitated, and the appropriate administrative instruction will be issued by the Secretariat, explaining the detailed procedures of the lump-sum option, the obligations and responsibilities of all involved, and punitive measures for non-compliance or abuse of the lump-sum procedures.

VII. CONCLUSIONS AND RECOMMENDATIONS

50. Since its inception, the main objective of the lump-sum option has been to achieve financial and administrative savings, as well as to streamline administrative procedures in connection with home leave, education grant and family visit travel. In so far as the simplification and rationalization of work procedures and cash savings are concerned, the lump-sum scheme has achieved its dual purpose. Administrative benefits of the lump-sum option have allowed, to a large degree, the available staff resources to bear the increased workload resulting from the drastic increase in the scope and volume of peace-keeping and humanitarian operations.

51. In the light of the experience gained, the Secretary-General considers that the principles underlining the current arrangements provide a sound basis. The Secretary-General welcomes guidance from the General Assembly on the three alternatives summarized below and recommends that the matter of the level of cash incentive be referred to ICSC, which, under its statute, is vested with authority to determine travel standards. It is understood that ICSC, should the General Assembly decide to refer the matter to it, would report its findings to the General Assembly at its fifty-first session. The Secretary-General is of the view that continuation of the lump-sum option is worthwhile only if the level of the lump-sum rate is sufficiently high so as to motivate staff to waive their other entitlements.

52. Taking into account the observations set forth in the preceding paragraphs, the General Assembly is invited to take a decision on the future of the lump-sum option. Three broad alternatives would appear to be available as follows:

(a) To put aside the lump-sum option permanently and revert to the standard travel arrangements. The financial and administrative implications of this alternative should be carefully weighed;

(b) To endorse the continuation of the present lump-sum arrangements without modifying the main parameters of the current scheme;

(c) To refer the matter to ICSC for examination of the appropriate level of the lump-sum option.

53. Subject to its decision on the lump-sum option, under either alternative (b) or (c), the General Assembly may wish to modify staff regulation 7.1 so as to include appropriate and sufficient legal provisions for continuation of the lump-sum option on a permanent basis.

54. In the meantime, bearing in mind the expiration of the latest extension of the lump-sum option on 31 December 1995, as reported to the General Assembly above, the Secretary-General has extended the application of the lump-sum option for travel by air on home leave, education grant and family visit travel without any changes, until such time as the General Assembly takes a final decision.

Notes

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. I, paras. 246-249.

2/ A/49/952.

3/ ACC/1988/FB/R.7 of 5 February 1988, paras. 23-29.

4/ ST/IC/1990/13 of 19 March 1990.

5/ ST/IC/1990/13/Amend.1.

6/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 (A/49/5), vol. I, para. 248.

Annex

ORGANIZATION/ PROGRAMME	LUMP-SUM ARRANGEMENTS a/
United Nations	75 per cent of full economy fare for home leave, family visit and education grant travel paid at Headquarters duty stations and at established offices with separate travel units, in lieu of all entitlements.
United Nations Development Programme United Nations Children's Fund United Nations Population Fund Office of the United Nations High Commissioner for Refugees United Nations Relief and Works Agency for Palestine Refugees in the Near East	75 per cent of full economy fare for home leave, family visit and education grant travel, in lieu of all entitlements.
International Trade Centre	75 per cent of full economy fare for home leave, family visit and education grant travel, in lieu of all entitlements.
World Food Programme	80 per cent of full economy or business class if travel time exceeds 9 hours for home leave, family visit and education grant travel, in lieu of all entitlements.
International Labour Organization	80 per cent of full economy fare for home leave and family visit, in lieu of all entitlements. 65 per cent for education grant travel.
Food and Agriculture Organization of the United Nations	80 per cent of applicable air fare for home leave, family visit and education grant travel, in lieu of all entitlements.
United Nations Educational, Scientific and Cultural Organization	50 per cent of full economy fare for home leave, family visit and education grant travel, in lieu of all entitlements.

ORGANIZATION/ PROGRAMME	LUMP-SUM ARRANGEMENTS a/
International Civil Aviation Organization	75 per cent of economy fare for home leave, family visit and education travel, in lieu of all entitlements.
World Health Organization	80 per cent of full economy fare for home leave only in lieu of all entitlements.
World Bank	Cash options with fare rates based on frequency of travel.
Universal Postal Union	75 per cent of full economy class for home leave and education grant travel in lieu of ticket, daily subsistence allowance and terminal expenses.
International Telecommunication Union	80 per cent of published economy-class fare for home leave and family visit travel, in lieu of all entitlements.
World Meteorological Organization	None.
International Maritime Organization	80 per cent of full economy fare for home leave and education grant travel, in lieu of all entitlements.
World Intellectual Property Organization	Lump-sum used for persons attending meetings; no specific figures could be obtained.
United Nations Industrial Development Organization	75 per cent of full economy fare for home leave and family visit travel covers tickets, daily subsistence allowance and terminal expenses.
International Atomic Energy Agency	Varying between 65 and 80 per cent of excursion or full fare economy for home leave, recruitment, repatriation, transfer and education travel.
World Trade Organization	None.

a/ In most instances, only the basic arrangements for entitlement travel by air are described. Some organizations also have special arrangements regarding other modes of travel (i.e. by car) and fares, particularly for education travel In most instances, the term "entitlements" does not include travel days (i.e. for calculating leave) but does include daily subsistence allowance.